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France Tightens Gulf Role Admiral Warns Ships Will Fire On Iran Gunboats

By Patrick E. Tyler ... ABOARD THE FRENCH SHIP MARNE — The commander of French naval forces in the Gulf said Wednesday that warships would fire on Iranian gunboats that refused to break off attacks on neutral merchant ships...

A U.S. Shift Is Seen On Soviet IMF Link

By Clyde H. Farnsworth ... WASHINGTON — President Ronald Reagan has opened the door to Soviet membership in the World Bank, the International Monetary Fund and the General Agreement on Tariffs and Trade...



SHIITE FORCES LEAVE BEIRUT CAMPS — Tanks and troops of the Lebanese Army's largely Shiite 6th Brigade preparing on Wednesday to withdraw from their positions at the Palestinian refugee camp of Chatila, near Beirut...

Israel Sets Policy of Beatings

Tactic Designed To End Unrest, Cut Casualties By Jonathan C. Randal ... JERUSALEM — Israeli security forces implemented a new policy Wednesday, replacing firefights with beatings in a tactic that defense officials say is designed to reduce Arab casualties and end six weeks of Palestinian unrest in the occupied West Bank and Gaza Strip...

Senator Jesse Helms urges amendment of the INF treaty, citing serious defects. Page 7

He called on all nations with warships in the region to adopt a similar posture, which he described as a "de facto" intervention to try to stop Iranian attacks in the name of humanitarian assistance to the crews of unflagged merchant vessels calling for help.

The policy document took note of Soviet statements about economic reforms along lines emphasizing free markets and said the United States could consider endorsing Soviet participation in the organizations provided the policy statements were "translated into positive action."

Until then, the document added, the Soviet system remained "fundamentally incompatible with participation in free-world institutions."

The Falling Dollar: Painful Lessons in Election Year Politics

By Leonard Silk ... NEW YORK — For Americans traveling abroad or residing there and being paid in dollars, the currency's fall can be felt not only as a strain on the pocketbook but as a personal insult. Feeling overcharged, overpaid and over there, they ask: "Is this what we're worth now — half what we were a few years ago?"

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MIAMI, U.S.A. PRESTIGIOUS FOREIGN OFFICE SERVICE... DUBLIN BUSINESS ONE

U.S. Lists North Korea As Terrorist

Compiled by Our Staff From Dispatches ... WASHINGTON — The State Department put North Korea on its list of countries that support terrorism and announced other sanctions on Wednesday to register outrage over North Korea's alleged role in the bombing of a South Korean airliner.



A militiaman, whose force backs the Afghan government, on patrol in Khost.

Nunn Backs Concept Of Small ABM System

By Michael R. Gordon ... WASHINGTON — Senator Sam Nunn says that the United States should consider developing a limited anti-missile defense system to protect its territory from accidental missile launchings by other countries.

Klosk Stocks, Dollar Drop in N.Y.

NEW YORK — Prices on the New York Stock Exchange fell Wednesday, with the Dow Jones industrial average plunging 57.20 points. The fall was laid to weakness in technology shares and investor disappointment over a fresh decline of the dollar.



Baron Philippe de Rothschild, winegrower and member of the banking family, is dead at 85. Page 6

In Khost, a Precarious Rule

Despite Breaking of the Siege, Rebel Threat Persists By Philip Taubman ... KHOST, Afghanistan — Three weeks after Soviet and Afghan forces broke the prolonged siege of this dusty garrison town near the Pakistani border, government control seems precarious.

Nicaragua Is Becoming Sole Focus of Peace Bid

By James LeMoyné ... SAN JOSE, Costa Rica — The Central American peace treaty is in danger of being converted into a series of demands directed only at Nicaragua, rather than retaining the broad force of an accord binding on all countries in the region, according to diplomats and government officials here.

General News Bruce Babbitt is behind in the U.S. presidential race, but not in press coverage. Page 3 Sports Fellow Swedes Stefan Edberg and Mats Wilander will meet in the semifinals of the Australian Open. Page 15

Table with exchange rates: The Dollar in New York, DM 1.857, Pound 1.7995, Yen 127.15, FF 5.9005

NEWS ANALYSIS

to organize politically, lifting of states of siege, free elections, political amnesty and the abolition of legal measures that hamper political freedom.

See GULF, Page 6

See SOVIET, Page 13

See SUFFER, Page 13

See ISRAEL, Page 6

See NUNN, Page 3

See LATIN, Page 6

See AFGHAN, Page 6

Herald INTERNATIONAL Tribune

Greed Can Be Harnessed

Program trading, index arbitrage, portfolio insurance... While American regulators struggle to understand the implications of new "derivative securities," it is a fair bet that most small investors have come to a simple conclusion: These all sound like tools for hustlers, and the response is to regulate derivative securities out of business.

Haitians Need Friends

Haiti's elections Sunday were pretty much a farce. Large numbers of voters, weary and intimidated, went neither to the polls nor into the streets. Evidence of fraud and confusion was widely available.

Digging in Mesopotamia

It is hard not to envy Harvey Weiss, an archaeologist at Yale University who is hot on the trail of an intriguing correspondence between the king of Sumbat Enli and his son, the governor of Mari.

Other Comment

Judge, Jury, Executioner

The new year is not a month old and already the U.S. Customs Service has wrapped up first prize in the Most Irresponsible Idea of 1988 contest.

Africa: The Little People Will Outlast the Betrayers

By Jim Hoagland

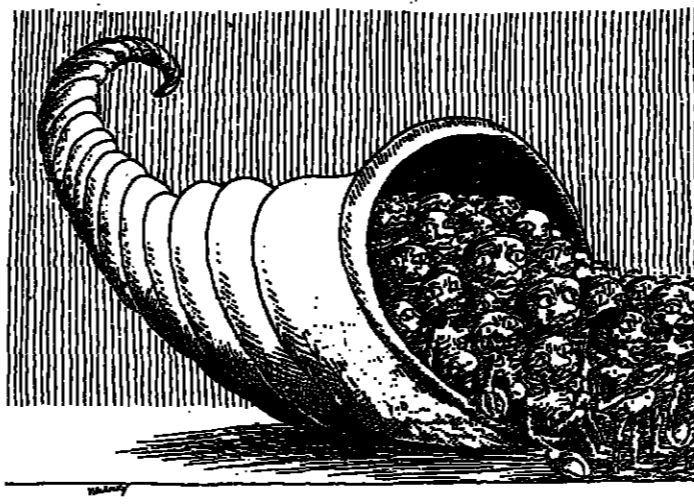
CAIRO — Africa emerged in the 1960s, collapsed in the 1970s and has festered into the 1980s. Once a synonym for shining hope and redemption, Africa is today a continent associated in the Western mind with failure, incompetence and inhuman brutality.

list of the world's oppressed has to include "black people everywhere, including their own continent." Mr. Achebe's novels contain an encompassing vision of the vast social decomposition that colonialism began and independence has accelerated.

"Things Fall Apart," his first important book, chronicles the destructive impact of the white man's arrival on village life in West Africa. But "A Man of the People" is a cutting portrait of Nigerian politicians who squandered the power the departing colonialists gave them.

Mr. Achebe takes on the generation of rulers that has emerged in the 1980s. The military and technocratic regimes now dominating Africa have shown that "revolutions are betrayed just as much by stupidity, incompetence, impatience and precipitate action as by doing nothing at all."

colonialism retroactively or spine-tingled contemptuously. The story expresses quiet confidence in the ability of the "little people" in Africa to endure and eventually outlast the African elites and the soldiers who have so consistently betrayed the hopes of independence.



Security for Israel: A Choice Between Quantity and Quality

By Dominique Moïsi

PARIS — The drama we have seen unfolding in the territories occupied by Israel results from an encounter between Palestinian despair and Israel fear.

irony of history that little Israel had a great statesman, David Ben-Gurion, while "great" Israel has nothing but politicians. Fear and the lack of a clear alternative turn Israelis toward need realpolitik for inspiration.

have written, recent developments in the Middle East do not impose a new reading of the Israeli-Palestinian conflict which makes the Palestinians appear as the gradual victors over the last 20 years.

Israel's existence depends on its recognition as legitimate in its regional environment. That presupposes a territorial compromise. The status quo is a guarantee for Israel. Israel's essence as a democratic state and its security will in time suffer from it.

Self-Rule for Palestinians: The Only Viable Option for Israel

By George Ball

WASHINGTON — Almost as regrettable as the loss of life during the recent violence in the West Bank and Gaza has been the Israeli government's failure to acknowledge the nature of its predicament.

grown up under the domination of occupation troops. Three out of four Gazans are under age 25 and have never tasted self-rule; increasingly they despair of doing so.

whether to continue insisting on being an exclusively Jewish state or to abandon its pretension to democracy. The objectives are irreconcilable.

For the United States to impose the "Jordanian solution" on an unwilling Palestinians would almost certainly recreate the chronic disorder that characterized the West Bank when Jordan ruled it before 1967.

Second option is to expel Palestinians into neighboring states — a course of action advocated by General Ariel Sharon, for one.

Allow the Afghans Their Own Voice

By Ashraf Ghani

BALTIMORE — With the military balance in Afghanistan tipping away from the Soviet-installed regime, it is time Pakistan yielded its role as spokesman for the Afghan rebels at the negotiating table.

visible sign of fighting for Afghan nationalism. In a struggle engaging the majority of rebels, the almost total absence of reference to nationalism has been remarkable. Rather, Islam has united the resistance.

any peace accord that does not have the support of a majority of Afghans will be wrecked by discord. Only an Afghan leadership secure in the knowledge of a mandate from the people will have the will, courage and power to bring an end to this bloody conflict.

1868: Chinamen Ascend PARIS — M. Filas-Panis was the hero of the evening at the last convivial gathering of the Paris abnormals. He has lately returned from a scientific journey in China, where, under the patronage of the Viceroy, Li-Hung-Chang, he has been making experiments with balloons constructed by François Yon.

1938: No to Pacifism WASHINGTON — The principle of "Peace at Any Price" was rejected (on Jan. 20) by Eleanor Roosevelt, wife of the President, in a speech before 1,000 women delegates to the 13th conference for the Cause and Cure of War.

100, 75 AND 50 YEARS AGO

1868: Chinamen Ascend PARIS — M. Filas-Panis was the hero of the evening at the last convivial gathering of the Paris abnormals.

1913: Broadway Horror NEW YORK — Cries of dismay arose from those who dine in Broadway cafes when, from far off Nova Scotia, came the report that the lobster catch for the season, which opened Dec. 15, had been almost a complete failure.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1958-1982 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen

Editor for Asia: Michael Richardson, 5 Conoverly Rd., Singapore 0511, Tel. 472-7768. The RSS/928 Managing Dir. Asia: Malcolm Glenn, 50 Gloucester Road, Hong Kong, Tel. 2-810016. Telex: 263000

Magua vs. W... U.S. Voter... Want Victory... Centers in War Zone... Nobel Peace... Based on the Territories... 100, 75 AND 50 YEARS AGO

Handwritten Arabic text at the bottom center of the page.

OPINION

Managua vs. Washington: A Crisis of Lifestyles Is Stirring Up Grant Wood's Country

By William Safire

WASHINGTON — The Communist dictatorship of Nicaragua has issued a daily simple and understandable ultimatum to the United States. Unless it cuts off all support to the anti-Communist rebels now gaining strength...

VIOLA, Iowa — A quiet crisis of lifestyles is stirring up the rural Midwest as agricultural decline forces it, during the 1980s quite suddenly, to work out a new ex-urban way of living.

By Richard Critchfield

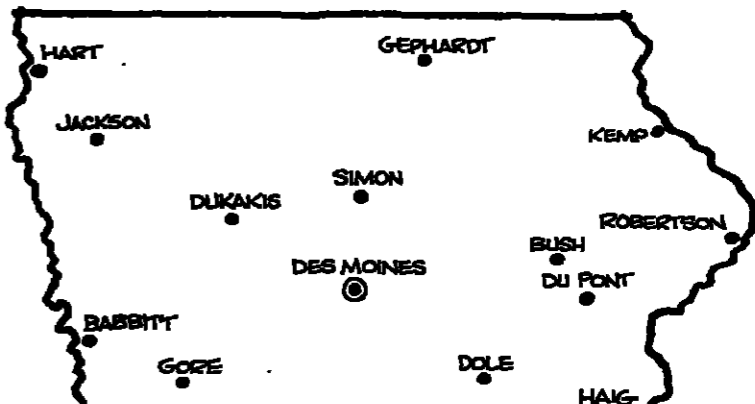
office and a boarded-up general store with a rusting, unused gas pump outside. Some of the Main Streets have become ghost towns, but the homes look better than ever.

MEANWILE

to go home, as William Shirer has quoted him as saying, to "paint those damn ooms and barnyards and cornfields and little red schoolhouses and all those pinched faces and women in their aprons and men in their overalls."

houses full. In that it's bad, the influx of some of the people you've got, they're not desirable versus what you had before they come. Put it that way.

Paul Perez, a Mexican-American raised in Cedar Rapids, seems to exemplify this group. He is divorced, remarried to a woman who was also divorced; both have children and good jobs in town.

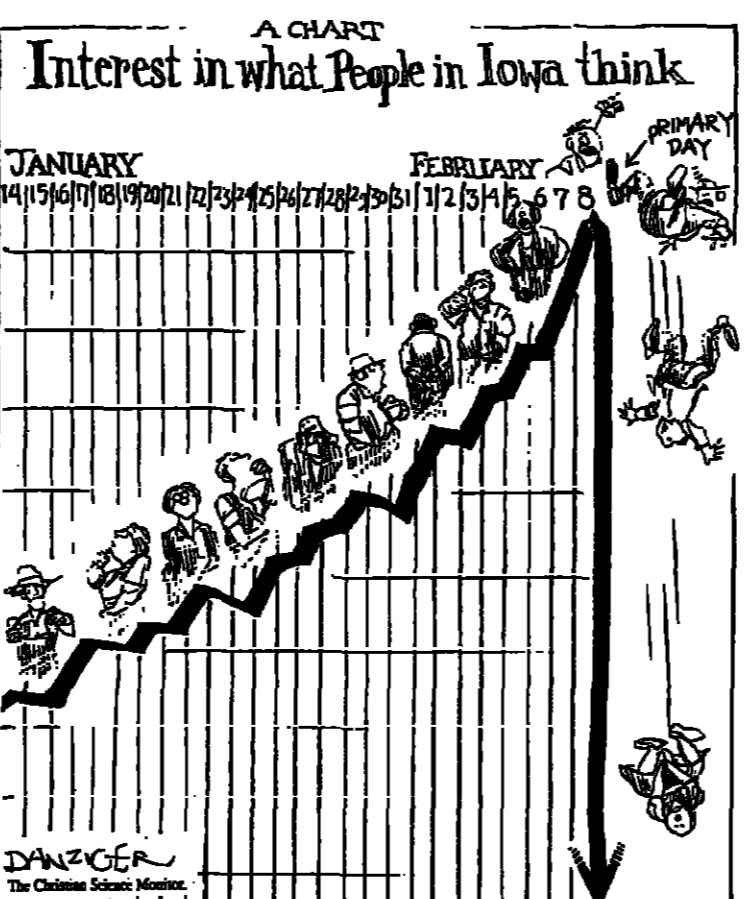


Quality

develops in a new reading of the impose a new reading of an conflict which appears as the gradual 20 years. The inability to terms with the other

Some Want Victory

ELLIOTT Abrams and Colin Powell, on a lobbying tour through Central America, have let a familiar cat out of a transparent bag.



or Israel

continue insisting on exclusively Jewish state or its pretension to democracy. tives are irreconcilable. an make that choice by the

LETTERS TO THE EDITOR

seeks to excuse Israel's policies of repression and occupation. This throws grave doubt on the authenticity of his quest for peace and justice.

Segregated After Work

I was glad you published the report "Middle-Class U.S. Blacks Still Largely Segregated" (Dec. 31, first edition). The fact that blacks in America are segregated was certainly no news to me.

It Was Time to Go to Work

I have often wondered about the significance of the time 6:13 atop Page 1 of every edition. Is it there to indicate some old deadline, or is it perhaps a subtle way of saying that it's morning in America?

Children Who Learn Together

The enterprising report "Japan Educators Build a Little Tokyo-sur-Seine" (Dec. 7) touched on issues that trouble educators everywhere. It also suggests large questions of social policy.

Memories of a Bandleader

With the passing at age 96 of Merle Evans (Obituaries, Jan. 5), former bandleader of the Ringling Bros. and Barnum & Bailey Circus, some readers may recall the role he played in the tragic fire on July 6, 1944, in Hartford, Connecticut.

Quite Precisely Confusing

An editorial in your Jan. 6 issue ("A Radioactive Present") states, concerning a proposed burial site in Nevada for radioactive waste: "Yucca Mountain may be a good site: a repository dug 1,000 feet (3,000 meters) below its summit would still lie above the water table."

TWO LIVELY CENTENNIAL BOOKS TRACE THE SPIRITED HISTORY OF THE INTERNATIONAL HERALD TRIBUNE.

Advertisement for two centennial books: 'The International Herald Tribune: The First Hundred Years' and 'A Century of News'. Includes descriptions of the books and contact information for the publisher.

Gorbachev: Nobel Peace Prize Candidate or Murderer of the Year

Even rather mistrustful characters must by now be convinced that Mikhail Gorbachev is seriously trying to change things in the Soviet Union. The outcome of this process is very important, and not only to inhabitants of the East bloc.

Wiesel on the Territories

Regarding "Elie Wiesel, Gathering Laureates for Eclectic Conference" (Monday Q&A, Jan. 11): Elie Wiesel's position on the occupied territories is shocking. A Nobel Peace Prize laureate

ARS AGO

ARS AGO... every restaurant along... at least those who came in... trying to find something... of a live or a bird to make... of the producers of ingenuity.

No to Pacifism

WASHINGTON — The proposed Nobel Peace Prize was proposed by the Norwegian Nobel Committee. The outcome of this process is very important, and not only to inhabitants of the East bloc.

Vertical text on the right margin, likely a scanning artifact or a list of names.

SCIENCE

Clues in Fight Against Autoimmune Diseases

By Gina Kolata

WASHINGTON — ... autoantibodies that attack the body's own tissues.

molecular structure of a crucial protein, called an HLA or human leukocyte antigen.

The new work builds on the improving understanding of the role of T-cells, a type of white blood cell that recognizes HLA molecules on other cells.

T-cells are required to turn on the immune system in all of its forms," Dr. Gelfand said.

Antibody formation starts when macrophages, the body's scavenger cells, ingest a foreign substance such as a virus.

Each T-cell can recognize a specific protein fragment within an HLA molecule.

the immune system from accidentally attacking the body.

When a person has an autoimmune disease, however, his T-cells are activated to help destroy a protein from his own body.

In a person prone to juvenile-onset diabetes, for example, the process begins when something, perhaps a virus, damages pancreas cells that produce insulin.

Macrophages ingest the damaged pancreas cells. The macrophages put small fragments of pancreas proteins into the HLA molecules on their surfaces.

But the people who are susceptible to diabetes have different HLA molecules, which bind different fragments of pancreas proteins than in a non-diabetic.

This new understanding of autoimmunity explains an old observation that particular types of HLA molecules are associated with susceptibility to certain autoimmune diseases.

How the Body Turns Against Itself

In juvenile-onset diabetes, one of the autoimmune diseases, the body's defenses mistakenly attack the pancreas.

A scavenger cell, a macrophage, does its job by ingesting damaged pancreatic cells. Some protein fragments from the cells it has ingested appear on the macrophage surface.

In a diabetic, the system goes awry. When the diabetic's HLA molecules expose protein fragments, for some reason they seem alien to the immune system.

The immune system's weapons are T-cells. In the diabetic, mistaking the insulin-producing cells for aliens, the T-cells destroy them.



IN BRIEF

Myths of the Misunderstood Infection

CHICAGO (UPI) — A lot of women who have recently had sex with new partners have been rushing to their doctors with complaints of a sharp, burning sensation when they urinate.

Hemoglobin Genes in Plants

NEW YORK (NYT) — Scientists say they suspect that all plants have the genes needed to produce hemoglobin.

Pluto, Charon Could be Double Planet

AUSTIN, Texas (NYT) — Observations of Pluto and its moon, Charon, are providing astronomers with evidence that they may be a double planet enveloped in a single atmosphere.

An analysis of these and other recent findings led a team of astronomers to predict that molecules from Pluto's tenuous methane atmosphere extend out to Charon.

Nature Moves Stones in Slow Motion

SPITSBERGEN, Norway (NYT) — The "sorted circles of Spitsbergen," mysterious rings of stone, have long stood as evidence that nature does not always need human architects to pick up rocks and arrange them in patterns.

Being Neurotic Makes You Sick

By Daniel Goleman

MAJOR new study links personality traits with illness on such a scale that some psychologists depict being neurotic as a key factor in susceptibility to disease.

The study found that traits that typify the neurotic — chronic anxiety, long periods of sadness and pessimism, unremitting tension, incessant hostility — were associated with asthma, headaches, peptic ulcers and heart disease.

But now the effort to tie personality to disease has been reinvigorated with the work of Howard Friedman and Stephanie Booth-Kewley, psychologists at the University of California at Riverside.

article in The American Psychologist by Paul T. Costa and Robert R. McCrae of the National Institute on Aging.

Dr. Friedman's research, published in a recent issue of The American Psychologist, was an analysis of data from 101 previous studies investigating links between personality traits and particular illnesses.

Dr. Friedman used a recently developed statistical method, called "meta-analysis," which allows all 101 studies to be combined as though they were one huge research project focusing on thousands of research subjects.

In a new study that supports this finding, researchers have found that people's psychological outlook during their 20s predicts their robustness or their vulnerability to disease as they enter middle life.

The method has become increasingly popular in the social sciences in the last few years. It has become the standard technique used to review any major field where there are a multitude of studies that used differing measures of the same broad topic.

In his meta-analysis, Dr. Friedman found a previously undetected link between some of all of the neurotic traits and susceptibility to five diseases that were being studied: asthma, headaches, peptic ulcers, arthritis and heart disease.

Previous studies, by and large, had examined the link between a single trait and a single disease. But Dr. Friedman found instead a broad association between neuroticism and illness in general.

In a new study that supports this finding, researchers have found that people's psychological outlook during their 20s predicts their robustness or their vulnerability to disease as they enter middle life.

There was little difference in health among these men for more than two decades; the turning point came during their early 40s when the more pessimistic ones began to fall ill.

His study will be published this summer in The Journal of Personality and Social Psychology.

another are susceptible to multiple sclerosis. There are a myriad of HLA proteins, and each person has eight types on his own cells.

To do this, the researchers made crystals of a human HLA molecule then used X-rays to determine the structure. It has a long groove that binds the specific protein fragments.

Blocking the specific HLA molecules that can cause disease, Dr. McDewitt said, probably would not cripple the immune system.

Because each person has eight HLA proteins on his macrophages, blocking the harmful ones would mean "nicking off only about 16 percent of the total," he said.

Wiley of Harvard University reported that they had, after eight years, determined the structure of an HLA molecule from a human cell.

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ISRAEL: Policy of Beatdown

(Continued from Page 4) ... when they return to their homes they will understand that it is impossible to get up at 4 or 5 in the morning and that they will never be able to sleep.

The World Health Organization (WHO)

is an inter-governmental agency internationally recognized for its efficiency and numerous lasting achievements, including the eradication of smallpox. Guided by humanitarian concerns, WHO works to direct and coordinate global and national efforts to improve the health of peoples in more than 160 member countries at all levels of development.

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3 Killed in Border Clash

Israeli troops killed three Palestinian guerrillas Wednesday after the security forces in the border region stepped into the area to launch an assault.

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NYSE Most Actives table with columns: Vol., High, Low, Last, Chg.

Market Sales table with columns: NYSE 4 p.m. volume, NYSE prev. close, AMEX 4 p.m. volume, etc.

NYSE Index table with columns: High, Low, Close, Chg.

Wednesday's NYSE Closing logo and text: Via The Associated Press

AMEX Diary table with columns: Class, Prev., Chg.

NASDAQ Index table with columns: Class, Prev., Chg.

AMEX Most Actives table with columns: Vol., High, Low, Last, Chg.

Dow Jones Bond Averages table with columns: Class, Chg.

NYSE Diary table with columns: Class, Prev., Chg.

Odd-Lot Trading in N.Y. table with columns: Buy, Sell, 1967

Dow Jones Averages table with columns: Open, High, Low, Last, Chg.

Standard & Poor's Index table with columns: High, Low, Close, Chg.

NASDAQ Diary table with columns: Class, Prev., Chg.

AMEX Stock Index table with columns: High, Low, Close, Chg.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Dow Falls 57 in Active Trading

NEW YORK — Prices on the New York Stock Exchange suffered a broad decline Wednesday as early weakness tied to a lower dollar accelerated into a wave of selling that took its greatest toll on the technology sector. The Dow Jones average of 30 industrial stocks, which had fallen 27.52 points Tuesday, plunged 57.20, or 2.96 percent, to close at 1,879.14. That was the closely watched barometer's first close below the 1,900 level since Dec. 11, when the index finished at 1,867.04. In early afternoon trading, the Dow dropped 40 points in 30 minutes. Declines trounced advances by a 13-3 ratio. Trading was active with volume at 181.67 million shares, up from 153.55 million Tuesday. "The exchange can't blame the decline on the programmers today," said A.I. Goldman, market strategist at A.C. Edwards & Sons in St. Louis. "The market broke through the psychological barrier at 1,900 and participants are gradually starting to realize that we established an intermediate top" on Jan. 7, when the Dow closed at 2,051.89. He said the 140-point plunge the next day "was not an aberration, but a beginning of a test of the lows established in October." Broad-market indexes also fell sharply, with the New York Stock Exchange index down 3.41 points to 136.72 and Standard & Poor's 500-stock index off 6.69 to 242.63. The average share price lost 76 cents. Mr. Goldman said there was some program selling, but "this was natural selling, as evidenced by the negative advance-decline ratio."

"Those looking for excuses will point to the arbitrageurs and the Motorola earnings on top of the IBM earnings," he said. "But we have been in a cyclical bear market since last August and have an abnormal number of economic potholes in front of us. We might be able to stumble into one, but if we hit four or five, that will spell trouble for the financial markets." Motorola said its fourth-quarter earnings rose to 79 cents a share from 49 cents in the year-ago quarter. While the earnings improved, as did those IBM reported Tuesday, analysts were not impressed. Tom Gallagher, managing director in charge of capital commitment at Oppenheimer & Co., said the market's early fall reflected concern over its failed attempt to rally Tuesday. "There is no urgency for people to come back into the market just yet," Mr. Gallagher said. "Some people have been burned over the last couple of weeks and are now willing to wait until stocks reach a cheaper level." He said investors "were shattered" by the 140-point drop on Jan. 8, and that concern was reflected in the "nonexist" volume. "Those willing to come in are doing so at a slower pace," he said. "People are being more selective, more conservative. The overall market is very quiet and just has no leadership." Referring to U.S. figures on housing starts and consumer prices, released Wednesday, he said that "no one expected to see good housing numbers." As for the prices, "inflation is not perceived as a problem on Wall Street."

Table A: NYSE Most Actives (continued)

Table B: NYSE Most Actives (continued)

Table C: NYSE Most Actives (continued)

Table D: NYSE Most Actives (continued)

Table E: NYSE Most Actives (continued)

Table F: NYSE Most Actives (continued)

Table G: NYSE Most Actives (continued)

Table H: NYSE Most Actives (continued)

Table I: NYSE Most Actives (continued)

Table J: NYSE Most Actives (continued)

Table K: NYSE Most Actives (continued)

Table L: NYSE Most Actives (continued)

Table M: NYSE Most Actives (continued)

Table N: NYSE Most Actives (continued)

Table O: NYSE Most Actives (continued)

Table P: NYSE Most Actives (continued)

Table Q: NYSE Most Actives (continued)

Table R: NYSE Most Actives (continued)

Advertisement for International Bank of Florida, featuring text like 'European Owned', 'Currency Rates', and 'Interest Rates'.

Handwritten note: Joly, col 15D

TO POWER APPLIANCES In Touch with Tomorrow TOSHIBA

THURSDAY, JANUARY 21, 1988

INTERNATIONAL MANAGER

New European Owners Retaining U.S. Managers

By SHERRY BUCHANAN International Herald Tribune LONDON — For European concerns, the days of "our man in Paris" are over. Traditionally, corporate headquarters in Europe tried to run newly acquired companies in far-off lands by putting in one of their own to teach the new acquisitions to do business their way. But as the wave of acquisitions in the United States by European companies continues, more and more are leaving the natives to manage the store.

The hands-off approach is gaining ground with French and British buyers.

According to the monthly survey, acquisitions in the United States by British companies are estimated to have increased in value from \$13.6 billion in 1986 to \$27.2 billion in 1987.

French companies, too, are taking a more hands-off approach with their U.S. acquisitions.

There has to be a partnership between the U.S. and French management; that's the key, said Mr. Bellanger, who is also executive vice president of Credit Industriel et Commercial's New York branch.

When Cap Gemini made its first U.S. acquisition, D.A.S.D., a software company, in Milwaukee in 1981, Mr. Bertly was sent over to manage it. He came back to Paris in 1985 after choosing and training an American successor.

Of the 20 largest U.S. acquisitions by British companies last year, a big majority, so far, have kept the existing American management in place. Many said they actually bought U.S. companies because they perceived the local management teams to be strong.

When Dixons PLC, a British electrical products retailer, bought Cyclops Corp. for \$394 million last year, it kept Cyclops's Silo subsidiary, a chain of electrical retail outlets, and sold the rest of Cyclops to Allegheny Corp. It is Dixons' first overseas acquisition.

What we wanted when we bought Cyclops was Silo's management team, said William Lazarus, financial controller of Dixons. We had done our research and were impressed with them. We run our group very autonomously.

James Fromstein, director of corporate communications at Manpower Inc., the Milwaukee-based U.S. agency for temporary employment, said he was also impressed with them.

See FEORIA, Page 11

Texaco Sale Offer Reported

Company Denies Icahn Statement

By Warren Geiler International Herald Tribune WHITE PLAINS, New York — Carl C. Icahn, in testimony at a bankruptcy hearing Wednesday, said the Texaco president, James W. Kinneer, discussed with him the possible sale of the company for \$60 a share.

Mr. Icahn said Mr. Kinneer told him, "If you want to buy it, why don't you talk about \$60 a share."

Mr. Icahn, the New York investor who now holds 14.5 percent of Texaco's stock, said the discussions took place in the last six weeks.

Later Wednesday, Texaco said Mr. Kinneer never suggested the company was for sale at any price.

In Wednesday trading on the New York Stock Exchange, Texaco's shares gained 37.5 cents each to close at \$38.125.

In a statement, Mr. Kinneer also said he regretted that Mr. Icahn had resorted to what he called fabrication in an attempt to use the bankruptcy proceedings to reap short-term gains by putting Texaco on the block.

Mr. Icahn also said at the hearing on his Texaco restructuring proposals that the investment banking firm of Bear Stearns & Co. was buying shares of Texaco on the New York Stock Exchange.

Mr. Icahn, the leading Texaco shareholder, said Bear Stearns did not disclose the name of its client.

Mr. Icahn told the court he mentioned Mr. Kinneer's statement in a discussion with the president of Occidental Petroleum Corp. and added that he met with Occidental's chairman, Armand Hammer, the following day.

He said that after he mentioned his Texaco discussions with Occidental, he had a discussion with Mr. Kinneer about the sale of the company. Mr. Icahn said he asked Mr. Kinneer about the \$60-a-share figure and Mr. Kinneer replied, "Carl, I never meant that."

Texaco settled its legal dispute with Pennzoil Co. for \$3 billion last month. The settlement was included in a bankruptcy reorganization plan Texaco filed with the court.



Charles M. Winter, chief executive of Royal Bank of Scotland Group PLC. The group has maintained its base in Edinburgh, saying it has significant cost advantages over London.

Scottish Bank Casts Its Line in U.S.

As U.K. Pond Is Crowded, Royal Seeks East-Coast Catch

By Warren Geiler International Herald Tribune EDINBURGH — Royal Bank of Scotland Group PLC is spending a lot of time these days thinking about the U.S. retail banking sector, specifically the East Coast market. Given the weak dollar and depressed U.S. share prices, Royal might well succeed in acquiring a bank "across the pond" by year's end, executives say.

"It is not impossible that we would make a move this year," said Charles M. Winter, the chief executive of the Edinburgh-based banking group, in an interview.

For RBS, Britain's fifth-largest retail bank with assets of £19.1 billion (\$33.9 billion), the purchase of a U.S. regional bank would make a lot of sense. For one thing, it would reduce the group's dependence on the British market and on sterling-denominated assets.

"Royal Bank's prospects look reasonably good at the moment," said David Nisbet, a banking analyst with the brokers Wood Mackenzie & Co. in Edinburgh. "The biggest problem will be the dependence on the U.K. market, where margins in traditional retail banking will come under considerable pressure over the next two or three years."

British banks are facing increased competition from building societies, which are similar to savings and loan associations, Mr. Nisbet noted. He added, "We expect leading growth in consumer business to slow."

RBS gets high marks for its profit performance, with annual growth in pretax earnings averaging 14 percent over the past decade.

See ROYAL, Page 11

U.S. Prices Rose 0.1% for Month, 4.4% for Year

Housing Starts Plunged 16.2% Last Month

Compiled by Our Staff From Dispatches WASHINGTON — Inflation in the United States has continued to grow moderately, the Labor Department reported Wednesday, with the Consumer Price Index up 0.1 percent for December and 4.4 percent for all of 1987.

December's increase, which followed a 0.3 percent rise in the index in November and an 0.4 percent jump in October, was the smallest for a month since July 1986, when the index was unchanged.

The 4.4 percent rise for 1987 was four times the 1986 rate and the biggest annual jump in prices since the 8.9 percent leap in 1981. But analysts were not overly concerned.

"It was just the energy prices coming up from the abnormally low level of 1986," said David Wynn, an economist with Data Resources Inc., an economic consulting company in Lexington, Massachusetts. "The overall picture is very stable for inflation."

While the inflation rate of 1.1 percent for 1986, the lowest in more than two decades, had been held back by a 19.7 percent collapse in world oil prices, much of the 1987 increase reflected an 8.2 percent rebound in energy costs.

In December, energy costs fell 1.1 percent, including a 2.2 percent fall for gasoline, a 1.5 percent drop for heating oil and a 0.2 percent drop for natural gas and electricity.

For the year, gasoline prices gained 18.6 percent and heating oil costs 12.9 percent. Natural gas and electricity charges went up 0.3 percent.

Food and beverage costs rose 3.5 percent for all of 1987. In December, they gained 0.5 percent, led by a record 72.4 percent jump in lettuce prices because of disease and bad weather in California and Arizona, the main growing areas.

Without the volatile food and energy categories, consumer prices rose by 3.5 percent in 1987, and by 0.1 percent in December.

The Consumer Price Index is based on a hypothetical selection of goods and services. The companion Producer Price Index, released last week, showed wholesale prices rising a more modest 2.2 percent in 1987.

See INFLATION, Page 13

Currency Rates table with columns for currency, rate, and date.

Interest Rates table with columns for instrument, rate, and date.

Key Money Rates table with columns for instrument, rate, and date.

Gold table with columns for instrument, rate, and date.

De Benedetti: Lowering Borders in a Bold Bid

Générale Is Key to European Empire

By Steven Greenhouse New York Times Service PARIS — With his bold bid for Société Générale de Belgique, the huge holding company that by some estimates controls a third of Belgian industry, the Italian entrepreneur Carlo de Benedetti seems to have moved far ahead of the crowd in building a Europe-wide financial and industrial empire.

Mr. de Benedetti, who in addition to his other financial activities is chairman of Italy's giant automated office equipment maker Olivetti SPA, seems to view Europe as a chessboard. It is there, for the conquering, And, like a chess champion, he seems to be 5 or 10 moves ahead of everyone else.

Analysts have praised Mr. de Benedetti's attempt to buy a large block of Générale de Belgique shares in order to build the first great European holding company. Nowdays, the word on the lips of every continental executive is "1992" — the year the commercial and financial borders among the 12 European Community nations are scheduled to disappear.

While many business executives talk about the economic integration of Europe, Mr. de Benedetti has built up a financial and industrial empire that stretches from Italy into France, Spain, Britain, Switzerland, and now, Belgium.

"We'll see a lot more of these cross-border attempts to extend one's empire among companies in the financial sector," said Daniele Serravalle, an analyst of European industry with Phillips & Drew in London. "That's the logic of 1992."

Several factors apparently convinced Mr. de Benedetti to launch an attack on Générale de Belgique, which is so sacrosanct that it has been called Belgium Inc. First, its stock was undervalued, and many of the 1,261 companies in which it holds interests are underperformers. Second, because it is in so many industries — steel, diamonds, insurance, banking and chemicals, to name a few — it provides Mr. de Benedetti with an extraordinary selection of areas on which to build.

Third, Belgium's takeover laws are less strict than those of many other European countries, not even requiring large shareholders to divest their holdings when they move above certain thresholds. Lastly, Générale de Belgique is based in Brussels, the heart of the European Community, and in the view of many analysts is the best place to do business in Europe once the barriers fall in 1992.

"Mr. de Benedetti invokes 1992. This is a very concrete example of how the European market will operate after 1992," said Etienne Renter, a spokesman for the EC's Commissioner on Competition, in praising Mr. de Benedetti for expanding as if borders did not exist.

Officials who work for Mr. de Benedetti said that expanding from a base in Brussels will be easier than expanding from his present base in Milan. Other European companies or governments will have a harder time raising nationalistic objections to bids made by a company in Brussels, which symbolizes Europe.

Still, Mr. de Benedetti ran into a storm of nationalistic objections when he announced Monday that his Paris-based investment company, Compagnie Européenne Réunie, or CER, was seeking to raise his 18.6 interest in Générale de Belgique by another 15 percent. Belgians were incensed that a foreigner would try to take over "la Générale," the 166-year-old institution.

CPI COMMERCIAL PROPERTY INVESTORS (PALM BAY) LTD. NEW ISSUE OFFER CLOSES 29 FEBRUARY, 1988 +320% OVER TEN YEARS. Includes details about investment opportunity and contact information.

Wednesdays NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table with columns: 12 Month High Low Stock Div. Yld. PE High Low Close. Lists various stocks and their prices.

Table with columns: 12 Month High Low Stock Div. Yld. PE High Low Close. Continuation of stock price table.

Table with columns: 12 Month High Low Stock Div. Yld. PE High Low Close. Continuation of stock price table.

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Table with columns: 12 Month High Low Stock Div. Yld. PE High Low Close. Continuation of stock price table.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Grains.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Livestock.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Cattle.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Feeder Cattle.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Soybean Oil.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Coffee.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Cocoa.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Orange Juice.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Metals.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Lumber.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Heating Oil.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Silver.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Palladium.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Y-Treasury.

Table with columns: Season High Season Low Open High Low Close Chg. U.S. Futures - Y-Treasury.

Advertisement for 'Growing' magazine, 'Who Posts Record Year in Profit', and 'ROYAL: Scottish B'.

Irving Bank Adds To Its Loan-Loss Reserves Again

NEW YORK — Irving Bank Corp. said Wednesday that it took a fourth-quarter \$250 million special provision for loans to developing countries, resulting in a loss for the period of \$175.8 million.

NYSE High-Lows

Table with columns: NEW HIGHS, NEW LOWS. Lists stock symbols and their high/low prices.

Japan Car Makers Deny Chrysler Dumping Claim

TOKYO — Japanese automobile manufacturers said Wednesday that allegations by Chrysler Corp. that they were illegally selling cars in the United States below cost were unfounded and simplistic.

Paris Commodities

Table with columns: High Low Close Ask Chg. Lists commodity prices in Paris.

London Commodities

Table with columns: High Low Close Ask Chg. Lists commodity prices in London.

Spot Commodities

Table with columns: Today Prev. Lists spot commodity prices.

S&P 100 Index Options

Table with columns: Strike Price, Call/Put, Last Sale, Open Interest. Lists S&P 100 index options.

DM Futures Options

Table with columns: Strike Price, Call/Put, Last Sale, Open Interest. Lists DM futures options.

Dividends

Table with columns: Company, Dividend, Ex-Dividend Date. Lists dividend information.

DM Futures Options

Table with columns: Strike Price, Call/Put, Last Sale, Open Interest. Lists DM futures options.

U.S. Treasuries

Table with columns: Maturity, Bid, Offer, Yield, Price. Lists U.S. Treasury securities.

London Metals

Table with columns: High Low Close Ask Chg. Lists London metal prices.

Statoil Gets Rights To China Oil Field

OSLO — Statoil, the Norwegian state oil company, said Wednesday it had signed an agreement in Beijing giving it exploration rights in a large sector of the South China Sea.

Austrian Banker Fined \$91,000 for Perjury

VIENNA — The Vienna district court has ordered Hanses Androsch, managing director of Creditanstalt-Bankverein AG, Austria's largest bank, to pay a \$91,000 fine for perjury.

BUSINESS ROUNDUP

Fast-Growing Nokia to Buy Ericsson Data Systems

By Juris Kaza
Special to the Herald Tribune
STOCKHOLM — Oy Nokia AB, the Finnish electronics and industrial group, said Wednesday that it would acquire the data systems division of Ericsson Information Systems AB of Sweden and merge it with its own office automation activities.

largest supplier of data terminals in Europe, Nokia said.
EIS has posted losses in recent years, but the president of the Ericsson group, Bjorn Svedberg, said, "We are selling a company that is restructured and profitable."
Yet he added that the sale's principal effect on the Ericsson group would be "to allow us to put a greater effort into the units that are more profitable."

He referred to the new company and Nokia's agreement in December to buy the consumer electronics business of Standard Elektrik Lorenz AG of West Germany.
But Mr. Owen of Savory Millin said Nokia's acquisitions reflected "a good sense of timing."

Study Says BP Undervalues Britoil Shares by 249 Pence

LONDON — Britoil PLC said Wednesday that its shares were worth 55 percent more than British Petroleum Co. has offered to pay for them in a takeover bid.
The North Sea oil producer said that according to an independent valuation of its assets by Robertson ERC Ltd., Britoil shares were worth 699 pence (\$12.43) each. Last Thursday, BP offered 450 pence a share for the 70.1 percent of Britoil that BP does not already own.
Britoil shares jumped 23 pence to 477 pence on the announcement before easing to 473 pence in late trading on the London Stock Exchange.

Company Results

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

Table with multiple columns for various companies including British Petroleum, American Electric Power, Apple Computer, etc., showing financial data for different quarters.

Volvo Posts Record Year For Profit

STOCKHOLM — Volvo AB on Wednesday reported record pretax profit of 9 billion kronor (\$1.5 billion) for 1987, a 20 percent increase over the 1986 figure of 7.5 billion kronor.
The result was substantially better than analysts had expected. Most had said the company would do well to match its 1986 profit.
Volvo estimated that the lower U.S. dollar reduced sales by around \$4 billion kronor. That left group sales, at \$2.4 billion kronor, still 10 percent above the previous year.

Ruling on Benedictine Bid

PARIS — Benedictine SA, the French liquor manufacturer, was told Wednesday by the French stock market commission to delay an extraordinary shareholders meeting called for next Monday, at which stockholders were to be asked to approve an increase in capital.
The delay is to allow shareholders time to consider a hostile takeover bid by a unit of the cognac house F. Rémy Martin & Compagnie. Benedictine's board rejected the offer, made Monday.
The commission said it would not be possible to distribute details of the Rémy & Associates offer before Thursday.

American Home Wins Robins Over Cash Up Front for Dalkon Claims Beats Sanofi, Rorer Bids

By Barnaby J. Feder
NEW YORK — A.H. Robins Co., abandoning an agreement to be taken over by Sanofi SA of France, has accepted a sweetened bid from American Home Products Corp.
The new bid has the support of representatives of nearly 200,000 women who say they were injured by Robins's Dalkon Shield birth control device.
The deal announced Tuesday had already been endorsed by representatives of shareholders of Robins, a pharmaceuticals company based in Richmond, Virginia. It ended a bidding war that had pitted American Home against Rorer Group Inc. and Sanofi, a unit of the French state oil company Société Nationale Elf Aquitaine. Both said they would not sweeten their offers further.

PEORIA: European Buyers Let the Locals Run Things

(Continued from first finance page)
employment, said. "When you are in the service business, all you really have is the ability of the people operating the business."
Manpower Inc. was acquired last year by Blue Arrow PLC, Britain's largest employment agency, for \$1.3 billion. "To change the people would be to change a lot of what they paid a lot of money to buy," Mr. Froemstein said.
Other companies which mentioned buying U.S. companies in part for their management teams included J. Sainsbury, the British grocer, which bought Shaw's Supermarkets for \$261 million; Thorn EMI, which bought Rent-A-Center, the U.S. retail rental chain, for \$594 million; and Grand Metropolitan PLC, the beverage and hotel group, which bought Heublein Inc. for \$1.2 billion.

Apple Computer's Net Profit Rocketed 108% in Quarter

CUPERTINO, California — Apple Computer Inc. said Wednesday that net profit, buoyed by new products, shot up by 108 percent in its most recent quarter to a record \$121.4 million.
Sales rose 57 percent to \$1.04 billion from \$662.3 million. Profit for the first fiscal quarter, which ended Jan. 1, is equivalent to 92 cents a share. In the earlier quarter, net profit had been \$38.5 million, or 45 cents a share.
Apple attributed the most recent results, which it called "tremendous," to success of new products and strong sales momentum in domestic and international markets.

ROYAL: Scottish Bank Casts a Line in Eastern U.S.

(Continued from first finance page)
prudent to diversify and broaden our base."
Royal Bank is represented in the United States by a full branch in New York and representative offices in Chicago, San Francisco, Los Angeles and Houston.
At a time when a British competitor, Standard Chartered Bank PLC, is seeking to dispose of its major U.S. acquisition, Union Bank of California, Royal Bank is making links with a major regional player to gain prestige and enter the East Coast market.
Rod Barnett, a banking analyst at Hoare Govett Ltd., noted that the history of U.S. acquisitions by British banks "more often than not has been a story of numerous bad or mediocre purchases. If Royal Bank is going to buy in the U.S., it surely will go for a quality business, recognizing that its experience in U.S. banking is limited. It will not go for a turnaround situation."

Apple Computer's Net Profit Rocketed 108% in Quarter

Another big computer maker, Unisys Corp., said Wednesday that it had swung from loss to a record profit in the fourth quarter of 1987.
Unisys said earnings for the three months ended Dec. 31 totaled \$216.9 million, or \$1.09 a share.
That compared with a year-earlier loss of \$188.5 million that stemmed from restructuring charges. The charges related to the formation of Unisys in September 1986 through the merger of Sperry Corp. and Burroughs Corp.
Revenue for Unisys rose 10.7 percent in the fourth quarter to \$2.8 billion, from \$2.53 billion.
Unisys attributed much of the increases to the weaker dollar, which made its products more competitive abroad. The company also said higher efficiency, better marketing and lower debt levels contributed to the improvement.

ADVERTISMENT

THORN EMI PLC (CDRs)
The undersigned announces that as from 29th January 1988 At Kas-Associatie N.V., Spuistraat 172, Amsterdam, div. exp. no. 21 of the CDRs Thorn EMI PLC, each repr. 50 shares, will be payable with Dfls. 22.61 (re final dividend for the year ended 03.31.1987) 13.5p per share. Tax-credit 22.25 = Dfls. 7.53 per CDR. Non-residents of the United Kingdom can only claim this tax credit when the relevant tax treaty meets this facility.

Dividends

Table listing various companies and their dividend information, including dates and amounts.

U.S. Treasury

Table listing U.S. Treasury securities, including Treasury bills, notes, and bonds, with their respective terms and yields.

Weekly net asset value

Table listing investment funds and their weekly net asset values, including Leveraged Capital Holdings N.V. and DP Energy Resources Growth Fund.

Weekly net asset value

Table listing investment funds and their weekly net asset values, including Tokyo Pacific Holdings N.V. and Indigo.

Micro-Stampede

What to happen when a U.S. integrated circuit supplier is able to load a \$400 microchip with as much operating capacity as the bureaucracy of a medium-sized nation? Write, phone or telefax for complimentary reports on shares of companies that have been busy reversing trade-balance statistics while the investing public has been looking the wrong way.

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Our second major international conference on Latin America brings together an outstanding group of speakers from Latin America, Europe and the United States to review major new developments in the region and look for new ways forward.

Wednesdays AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table with columns: 12 Month High/Low, Div. Yld. PE, and Stock symbols (e.g., A, ABL, ABLA).

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INTERNATIONAL FUNDS (Quotations by Funds Listed) 20th Jan. 1988

Not exact value quotations are supplied by the Funds listed with the exception of those quoted in the table.

Large table listing various international funds with columns for fund name, currency, and price.

AMEX High-Lows

(Continued on next page)

Table listing AMEX high and low prices for various stocks.

Thomson Buys Wilcox Electric, U.S. Maker of Landing Systems

PARIS — Thomson-CSF, the French military electronics group, took a major step into the U.S. air traffic control market Wednesday by acquiring Wilcox Electric Inc., a leading U.S. maker of landing systems.

L.F. Rothschild Plans to Halt Most U.K. Securities Activities

LONDON — L.F. Rothschild Holdings Inc., the U.S. securities firm, said Wednesday it planned to close virtually all its securities operations in Britain and that it would let about 55 staff members go.

Korea Auto Output Seen Rising

SEOUL — South Korean auto production will increase by 43 percent to 1.4 million units in 1988, while imports of auto parts and components will fall, Trade Ministry officials told the national news agency Yonhap on Wednesday.

Floating-Rate Notes

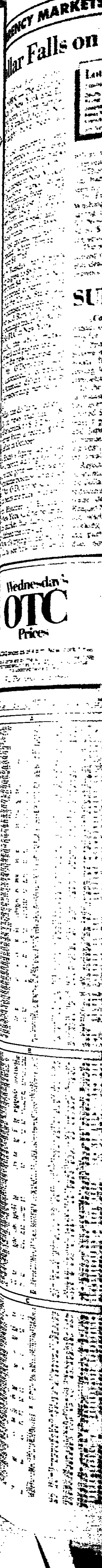
Table listing floating-rate notes with columns for issuer, coupon, and bid/ask prices.

Deutsche Marks

Table listing Deutsche Marks with columns for issuer, coupon, and bid/ask prices.

Japanese Yen

Table listing Japanese Yen with columns for issuer, coupon, and bid/ask prices.



CURRENCY MARKETS

Dollar Falls on U.S. Trade Worries

NEW YORK — The dollar fell Wednesday in New York and Europe amid worry that the narrowing of the U.S. trade deficit in November might have been an aberration.

London Dollar Rates

Table with columns: Currency, Bid, Ask, Bid, Ask. Includes Deutsche mark, French franc, Swiss franc, etc.

Dealers also apparently were testing the currency's lower levels to determine how far central banks would allow the currency to slip.

The dollar closed in New York at 1.6770 Deutsche marks, down more than 2 pence from 1.6795 DM at Tuesday's close.

It also lost ground against the British pound, which firmed to \$1.7953 from \$1.7765.

A report Tuesday that Japan's trade surplus grew to \$8.6 billion in November from \$4.7 billion in October prompted concern in the market that the United States will report an increased trade deficit for December, said Rony O'Donohue, a foreign exchange trader for Allied Irish Banks PLC in New York.

"Basically, the whole market turned around and pushed the dollar down on the new Japanese statistics," Mr. O'Donohue said.

On Friday, the dollar rallied dramatically on news that the U.S. trade deficit shrank to \$13.2 billion in November from a record \$17.6 billion deficit in October.

Last Friday's figure, which he spent a month waiting for, has now come and gone — and we're back in the same position where we started," Mr. O'Donohue said.

Robert Hatcher of Barclays Bank in New York said he believed "that the market has fairly comfortably defined the top side for the dollar. Now it's trying to define the down side, to see how far down it

SUFFER: Costly Lesson in Politics

(Continued from Page 1) impact on prices is significant not only for Americans traveling or living abroad but on those at home buying more expensive imports or goods from domestic producers feeling less pressure from foreign competitors.

In the last 12 months, inflation, as measured by consumer prices, has averaged 4.4 percent in the United States, compared with less than 1 percent in West Germany and Japan.

Rejecting the advice of those economists who have urged letting the dollar float lower as a means of reducing the U.S. merchandise trade deficit, President Ronald Reagan has declared that Washington wants dollar stability and is working toward that with its trading partners.

Reagan has declared that Washington wants dollar stability and is working toward that with its trading partners. The administration does not want to risk a further

plunge in the dollar this election year, which could be both economically and psychologically disturbing to the electorate and to foreign governments.

Stock markets, too, have tended to react negatively to the falling dollar, and the last thing the administration wants is another shock like "Black Monday" before election day.

At the same time, it does not want to see the Federal Reserve Board raise interest rates to defend the dollar, lest higher rates choke the slowly growing economy into recession.

The administration believes that the dollar can be defended at about its current level by a combination of intervention by central banks in foreign exchange markets and an "open mouth" policy — warnings to currency speculators that they run the risk of being hurt by central banks if they bet against the dollar.

Rumor Leads To Real Blow For Markets

WASHINGTON Post Service LONDON — Did The Washington Post report Wednesday morning that the U.S. trade figures announced last week had understated the November deficit by \$3 billion?

It did not. Neither did The Wall Street Journal. And the Commerce Department, in Washington, said adamantly Wednesday afternoon that there had been no mistake or change in the trade numbers.

But the fact that no such story existed did not stop jittery money markets in Europe from driving down the dollar. In consequence, the London, Paris and Frankfurt stock markets all closed lower, too.

The dollar and stock rallies that began Friday, when the Commerce Department announced a far-lower than expected November trade deficit of \$13.2 billion, already had started to fade by Monday afternoon, as traders around the world became nervous that they may have overdone it.

By the time the phantom story hit the financial grapevine, it only seemed to confirm worries, strengthened in the months since October's "Black Monday," that even good news can be bad.

Nobody in London seemed to be sure when or where the rumor about the U.S. trade figures story began. Some said in the Far East, others said in West Germany. But by the time The Washington Post bureau here opened at 9:30 A.M., the telephone was ringing off the hook.

And by afternoon, when the rumor had been pronounced nonsense, the damage had been done.

Japan's Surplus Draws EC Threat

BRUSSELS — A top official of the European Community on Wednesday assailed Japan's widening trade surplus with the 12-nation bloc and complained that Tokyo was more susceptible to pressures from Washington.

Willy De Clercq, the EC commissioner for external affairs, said that 1987 trade figures released Tuesday by Japan were wholly unsatisfactory and that the community must "reinforce pressure" on Tokyo "for a greater opening of markets."

Mr. De Clercq said that in yet terms, Japan's surplus expanded with the EC last year while shrinking with trading partners elsewhere in the world, particularly the United States.

"These results lend credence to the idea that Japan attributes greater importance to American pressures and is ready to make concessions that it is not ready to make to

the community," he said in a statement. "This negative tendency can be reversed only by firmer action still, and particularly more solidarity from the community and its member states."

According to the Japanese Finance Ministry, the nation's overall trade surplus in 1987 was \$79.3 billion, 3.5 percent narrower than \$82.74 billion in 1986.

But in yet terms, Japan's total trade surplus was reported at 11.59 trillion yen, down 15.6 percent from the previous year. The surplus with the United States shrank 12.4 percent to 7.57 trillion yen, while the surplus with the EC grew 4 percent to 2.94 trillion yen.

An EC spokesman acknowledged that, in dollar terms, the Japanese surplus with the United States increased by 1.4 percent. She said the community saw the yen figure as a more accurate reflection of trade trends, however.

She also noted that in dollar terms, Japan's surplus with the EC grew by more than 20 percent in 1987 regardless.

The disparity between measurements of the year-on-year change in Japan's trade balance results from the fact that the yen has risen against the dollar while holding relatively steady against European currencies.

In Bonn, Economics Minister Martin Bangemann of West Germany welcomed a small decline in his nation's trade deficit with Japan. But he urged Tokyo to do more to open its markets.

He told Hajime Tamura, Japan's international trade and industry minister, that an opening was essential to improving cooperation between Tokyo and the EC.

Official West German sources said that a bilateral surplus with Japan was less troubling for Bonn than for other EC governments because of West Germany's overall surplus.

Restated Deficit Shrinks in U.S.

WASHINGTON — The U.S. Commerce Department said Wednesday that November's merchandise trade deficit, after deducting freight and insurance costs, shrank to \$11.68 billion from \$15.96 billion in October.

The department routinely reports the trade balance minus freight and insurance costs several days after its report of the balance with those costs included.

The numbers reported Friday showed a total November trade deficit of \$13.2 billion, sharply narrower than a record \$17.6 billion in October. They remain the official trade figures.

The IMF and the World Bank, which make loans to poorer countries, and GATT, which organizes the world trading system, "are mainly concerned with improving relations among free individuals, business and financial institutions," the presidential document said.

Moscow has long been seeking an end to the unusually high tariffs that the United States applies to imports from the Soviet Union. Such tariffs are mandated by 1974 legislation barring most-favored-nation treatment, which carries low duties, to countries that do not permit free emigration. The Soviet Union has curtailed emigration of Jews. In recent months, however, emigration figures have improved.

Some analysts said omission of the direct linkage could be the prelude to a request by the administration to seek a temporary congressional waiver of the ban on most-favored-nation treatment.

But the White House spokesman, Martin Fitzwater, said December's modest increase showed that inflation was under control. He said the U.S. economy "is in great shape, strong on every front, as evidenced by the retail price index." (AP, UPI, Reuters)

SOVIET: U.S. Shift Seen on GATT

(Continued from Page 1) link between trade and human rights, as it did a year ago.

The document was written by the new national security adviser, Lieutenant General Colin L. Powell, and was commented upon by other agencies before being published under the president's name.

The changes would seem to mark a further improvement in U.S.-Soviet relations since the president signed an arms control agreement in Washington in December.

Noting that Treasury Secretary James A. Baker 3rd spoke last March of the administration's "unqualified and unconditional" opposition to Soviet membership in these institutions, several conservatives were highly critical of the new stance. They cited human rights and security concerns.

The IMF and the World Bank, which make loans to poorer countries, and GATT, which organizes the world trading system, "are mainly concerned with improving relations among free individuals, business and financial institutions," the presidential document said.

Moscow has long been seeking an end to the unusually high tariffs that the United States applies to imports from the Soviet Union. Such tariffs are mandated by 1974 legislation barring most-favored-nation treatment, which carries low duties, to countries that do not permit free emigration. The Soviet Union has curtailed emigration of Jews. In recent months, however, emigration figures have improved.

Some analysts said omission of the direct linkage could be the prelude to a request by the administration to seek a temporary congressional waiver of the ban on most-favored-nation treatment.

But the White House spokesman, Martin Fitzwater, said December's modest increase showed that inflation was under control. He said the U.S. economy "is in great shape, strong on every front, as evidenced by the retail price index." (AP, UPI, Reuters)

INFLATION: Moderate Rate

(Continued from first finance page) ed in categories such as apparel and new automobiles.

Service prices as a whole rose 4.6 percent in 1987, including a 5.8 percent rise in medical care and a 4.0 percent rise in entertainment costs. Medical care costs were up 0.4 percent in December and entertainment costs 0.3 percent.

December's overall increase left the CPI at 345.7 percent of its 1967 base of 100. That means a selection of goods and services costing \$10 in 1967 would have cost \$34.57 last month, up from \$33.11 for the same items in December 1986.

Starting in January, the Labor Department will switch to a 1982 base for calculating the index.

The overall index number, unlike other figures in the report, is not adjusted to remove the effects of predictable seasonal fluctuations.

If December's 0.1 percent inflation rate persisted for 12 straight months, the yearly inflation rate would be 1.4 percent.

In general, inflation was greater in the first half of 1987, when it advanced at an annual rate of 5 percent, than in the second half, when oil prices again eased.

Still, sharp declines in the value of the dollar in the aftermath of the Oct. 19 stock market collapse were expected to continue keeping pressure on the cost of imported goods, although making U.S.-made merchandise cheaper overseas.

"The inflation process moved into full swing in 1987, started by higher oil and energy prices, rising food prices, the effects of a lower dollar and increases in services prices," said Allen Sinai, chief economist for Boston Co. "Once inflation starts in the U.S., it usually is not interrupted until a recession."

But the White House spokesman, Martin Fitzwater, said December's modest increase showed that inflation was under control. He said the U.S. economy "is in great shape, strong on every front, as evidenced by the retail price index." (AP, UPI, Reuters)

Wednesday's OTC Prices. NASDAQ prices as of 4 P.M. New York time. This list, compiled by the AP, consists of the 1,000 most traded securities in terms of dollar volume.

Table of OTC prices for various stocks including ABB, ABB, ABB, etc.

Table of stock prices for various companies including ABB, ABB, ABB, etc.

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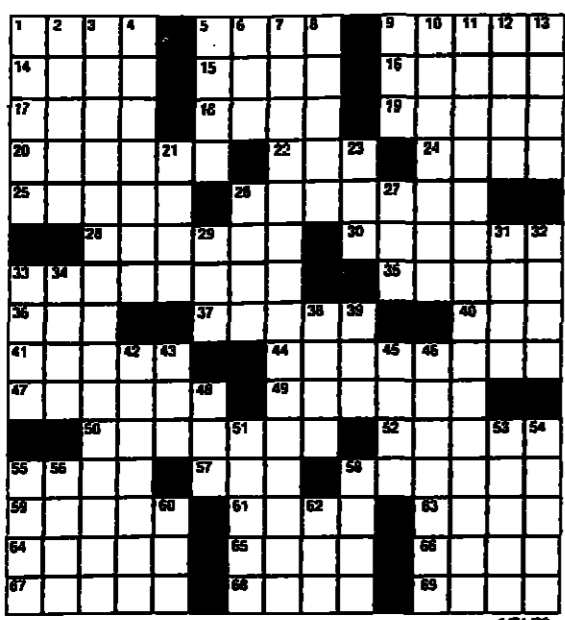
Table of stock prices for various companies including ABB, ABB, ABB, etc.

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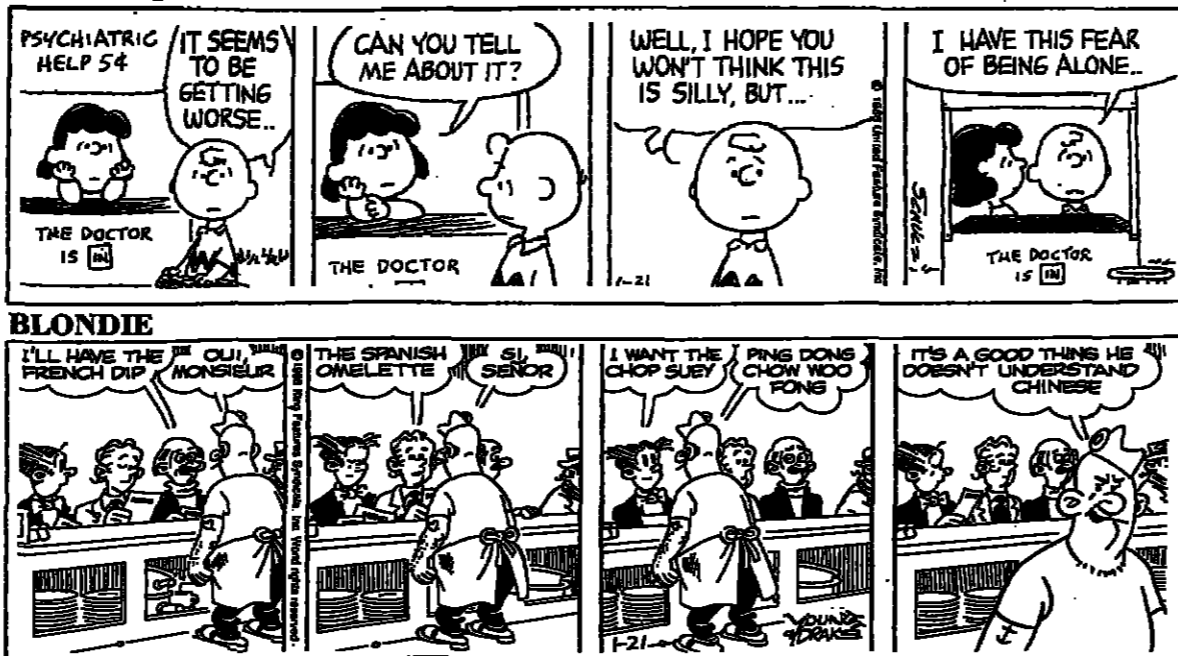
Table of stock prices for various companies including ABB, ABB, ABB, etc.

Table of stock prices for various companies including ABB, ABB, ABB, etc.



Crossword puzzle clues: ACROSS: 1 Soprano, 5 Spanish home, 14 Enlist again, etc. DOWN: 49 Emulates a peacock, 50 Sinister, 10 Her lips, etc.

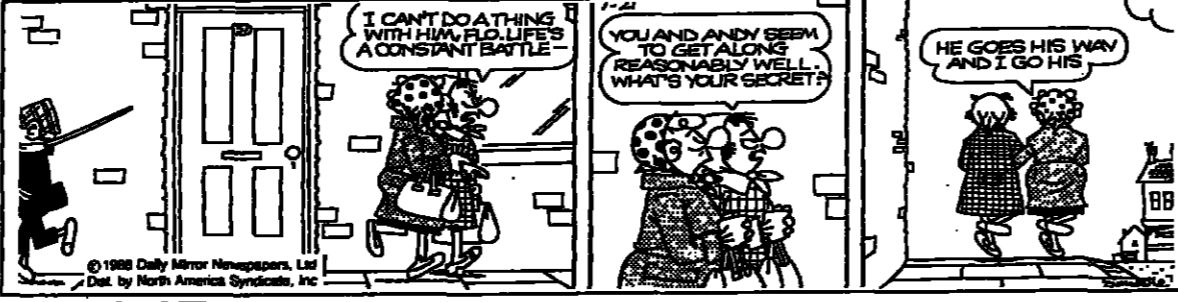
PEANUTS



BLONDIE



BEEBLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



JUMBLE

Jumble word game instructions and grid: SEERA, MESAU, CUSPER, TRULIA. Answer: HAVEN GUMBO LEVITY CUDEL.

BOOKS

FATHERS AND CHILDREN. By C.L. Sulzberger. 304 pages. \$19.95. Arbor House Publishing Co., 235 East 45th Street, New York, N.Y. 10017.

When you have a son... wrote Alexander Dumas, author of 'The Three Musketeers' and 'The Count of Monte Cristo'... 'La Dame aux Camélias'...

ip left Alexander a consummate war machine of which he made brilliant use. Elizabeth's father, Henry VIII, probably gave her syphilis as well as the throne...

History is woven around extraordinary families, and no one could be more qualified to write about them than C.L. Sulzberger...

BRIDGE

By Alan Truscott. East doubled six diamonds in an attempt to suggest a club lead.

Bridge hand diagram and analysis. Includes suit distributions and play sequence for a 3NT contract.

World Stock Markets

Table with columns for various cities: Amsterdam, London, Hong Kong, Paris, Sao Paulo, Madrid, Manila, Tokyo, Sydney, Zurich, Frankfurt, Johannesburg, Agra, Bombay, Calcutta, Colombo, Cebu, Hong Kong, Kuala Lumpur, Manila, Singapore, Taipei, Tokyo, Seoul, Taipei, Manila, Cebu, Singapore, Hong Kong, Kuala Lumpur, Manila, Taipei, Seoul.

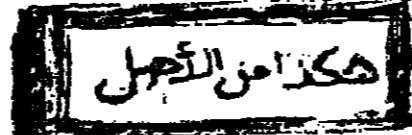
Tokyo Jan 20

Table listing stock prices for various Japanese companies like Dai Nippon Printing, Dai Nippon Ind. Sec. Co., Dai Nippon Paper Ind. Co., etc.

WEATHER

Weather forecast table with columns for Europe, Asia, Africa, Latin America, North America, Middle East, Oceania. Includes high/low temperatures and sky conditions.

SPORTS



Edberg, Wilander Gain Australian Open Semis

MELBOURNE — Defending champion Stefan Edberg withstood a magnificent challenge from Andrei Chesnokov Wednesday night to scrape through to the semifinals of the Australian Open tennis tournament.



Stefan Edberg, a 4-6, 7-6, 6-4, 6-4 winner over Andrei Chesnokov, "I may not be playing well, but I'm winning and that's a good feeling."

SCOREBOARD

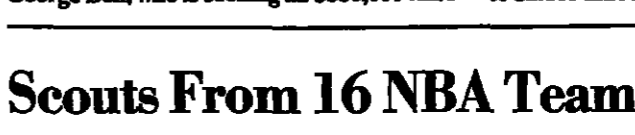
Table with columns for NBA Standings (Atlantic, Central, Eastern, Pacific Divisions) and U.S. College Results (TUESDAY'S RESULTS).

VANTAGE POINT/Tony Kornheiser A Winning Record and All Due Respect

WASHINGTON — Please pay attention, because I'm only going to do this once. For the next two weeks, as we all participate in the Super Bowl schmooze, stories in newspapers, radio and television will seize upon the notion that the Washington Redskins are given no respect.

Bell, Dawson Top List of 14 Seeking Arbitrated 7-Figure Salaries for '88

NEW YORK — George Bell and Andre Dawson, last season's most valuable players in the American and National Leagues, respectively, are being offered contracts by their clubs, including Dwight Gooden of the Mets, who missed the first two months of the 1987 season while in cocaine rehabilitation.



George Bell, who is seeking an \$880,000 raise — to \$2.105 million.

Scouts From 16 NBA Teams Watch Two Collegians Excel

PHILADELPHIA — Rodney Blake and Michael Anderson led their college teams to victories Tuesday night, and boosted their chances of leaving school high in the National Basketball Association draft.

UEFA Puts Off Until Spring A Decision on English Clubs

MONTE CARLO — The European soccer union on Wednesday deferred until early May a decision on whether to allow English clubs to return to European competition.

Hockey

Table with columns for NHL Standings (Wales Conference, Campbell Conference, Norris Division) and NHL Leaders (Team Defense, Team Offense).

Cuba, N. Korea Make Other Plans

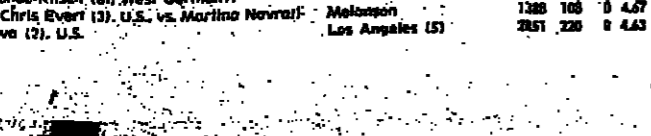
NEW YORK — Despite their announced intention not to participate in the Seoul Olympics later this year for political reasons, Cuba and North Korea are proceeding with preparations for other games to be held in their capital cities.

Transition

BASEBALL American League CHICAGO — Agreed to terms with Mark Sosa, catcher, on a one-year contract.

Tennis

Table with columns for Australian Open (Men's Quarterfinals, Thursday's Schedule) and other tennis events.



ART BUCHWALD

'I Like You-Know-Who'

WASHINGTON — "This is probably the toughest presidential election year the pollsters have ever had," Zimmich, a national pulse-taker, told me.



Buchwald

"The voter doesn't know the candidates, so we can't get any accurate information for our polls. Come with me tomorrow and I'll show you what I mean."

"Are you saying the other candidates are not qualified?" "How should I know? I have no idea who the hell they are."

A Tourism Record in Tibet
The Associated Press
BEIJING — Tibet, closed to independent travelers since October because of demonstrations in Lhasa, had a record number of foreign tourists in 1987, the Chinese news agency Xinhua said.

At 75, the Season of Erich Leinsdorf

By K. Robert Schwaz
NEW YORK — At the age of 75, Erich Leinsdorf has little use for honors, anniversaries and the like. "I don't believe in jubilees, and I don't believe in awards — in all this piffle — because we have been rewarded already, we people who live with Haydn and Mozart and Bach, and we don't need any more medals."



Leinsdorf remains skeptical.

"I don't believe in jubilees, and I don't believe in awards."
These are words that engage the players, and the moment that the players are engaged it goes over to the public."

to expand concert programs by recent and distant past. "I wanted to do Haydn. I wanted to do something out of the ordinary, and when it turned out that 'The Seasons' hadn't been done at the Philharmonic for 25 years or more, I decided this was the time." And "The Seasons," which "has a spiritual meaning for me," seemed appropriate for a 50th-anniversary celebration.

PEOPLE

Handicapped Author Wins £20,000 Award

The Irish author Christy Nolan, who cannot walk, talk or control his twitching limbs, won one of Britain's richest literary awards with an autobiography hampered out by a "unicorn stick" strapped to his head.

Carol Burnett and the presidential candidate Senator Robert Dole, Republican of Kansas, were named winners of the 1988 Horatio Alger Award that champions American "rags-to-riches" tales.

After winning a battle with the Swedish tax authorities, Max von Sydow has returned to his native country to do what he likes doing best — acting. The 58-year-old star, who was awarded \$2,000,000 by the European Court of Human Rights after a protracted legal dispute, is rehearsing at Stockholm's Royal Dramatic Theater for the first time in 13 years.

ANNOUNCEMENTS
A WORLD OF JOB OPPORTUNITIES
AWAITS YOU INSIDE TODAY'S PAGE 7
READ OUR INTERNATIONAL POSITIONS
ANNOUNCEMENTS
PUBLIC AUCTION
HOTEL IN ST MARTIN, FWI
MARCH 3rd, 1988
COURT OF BASSE TERRE, GUADELOUPE
SALE OF LUXURY HOTEL
11 buildings forming an antiquesphere...

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EMPLOYMENT
EXECUTIVE POSITIONS AVAILABLE
HELP WANTED
EXPERIENCED INTERNATIONAL FEMALE SALES REPRESENTATIVE
TOP MANAGEMENT CONSULTANTS
GENERAL POSITIONS AVAILABLE
THE ADVERTISING DEPARTMENT OF THE INTERNATIONAL HERALD TRIBUNE
ASSISTANT OF THE OVERSEAS OPERATIONS MANAGER
GENERAL POSITIONS WANTED
YOUNG AMERICAN WOMAN
GENERAL POSITIONS WANTED
NORWEGIAN CHIEF ENGINEER
EAST COAST USA FAMILY
AU PAIR FOR 1 YEAR OLD
REAL ESTATE FOR SALE
GREAT BRITAIN
NEW YORK CITY, UNITED NATIONS

EMPLOYMENT
DOMESTIC POSITIONS AVAILABLE
REAL ESTATE FOR SALE
PARIS & SUBURBS
RUE DE COURCELLES
AVE MONTAIGNE
PORT DE VESAILLES
SWITZERLAND
LAKES AND FRENCH SITES
MONTREAL
NEW YORK CITY, UNITED NATIONS
CENTER OF MONTE-CARLO
"MARK PALACE"
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EXCEPTIONAL VIEW ON PARIS & SEINE

International Business Message Center

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ASK DRIVE CAPABILITY???
INTERNATIONAL OFFSHORE COMPANY INCORPORATIONS FROM US\$150
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GENEVA SWITZERLAND Full Service is our business
BUSINESS OPPORTUNITIES
UK BUSINESS START-UPS
FINANCIAL SERVICES
DIAMONDS
DIAMONDS YOUR BEST BUY
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